

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
SEMCO ENERGY GAS COMPANY)	
for a certificate of public convenience and necessity)	Case No. U-18202
to construct and operate the Marquette Connector)	
Pipeline.)	
_____)	

At the August 23, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 15, 2016, SEMCO Energy Gas Company (SEMCO) filed an application, with supporting testimony and exhibits, pursuant to the provisions of 1929 PA 9, MCL 483.101 *et seq.*, requesting a certificate of public convenience and necessity to construct and operate the Marquette Connector Pipeline (MCP) consisting of two segments in Marquette County: a 20-inch 36.2 mile line, and a 10-inch 6.4 mile line.

A prehearing conference was held on January 13, 2017, before Administrative Law Judge Mark E. Cummins (ALJ). SEMCO and the Commission Staff participated in the proceeding. In addition, the ALJ granted intervenor status to the Michigan Department of the Attorney General, Northern Natural Gas Company (NNG), Michigan Technological University, and American Transmission Company LLC and its corporate manager, ATC Management Inc.

Subsequently, all of the parties, except for NNG, submitted a settlement agreement resolving all issues in the case. NNG separately filed a statement of non-objection to the settlement agreement.

According to the terms of the settlement agreement, attached as Exhibit A, it is agreed that the MCP will consist of a 36.2 mile 20-inch pipeline extending in a northerly direction from the Great Lakes Gas Transmission Company (GLGT) tap site in Section 1, Wells Township in Marquette County (SE1/4 of SW1/4 of SW1/4 of Section 1, T42N, R26W) to a point of interconnection with an NNG interconnection site in Section 2, Negaunee Township in Marquette County (SE1/4 of SW1/4 of SW1/4, of Section 2, T47N, R26W). The MCP will also consist of a 6.4 mile, 10-inch pipeline extending in a northeasterly direction from a point of intersection with the 20-inch pipeline in Section 12, Negaunee Township in Marquette County (SE1/4 of NW1/4 of NE1/4 of Section 12, T47N, R26W) to a point of intersection with SEMCO's existing natural gas distribution system in Section 26, City of Marquette (NW1/4 of SW1/4 of Section 26, T48N, R25W). The signatories further agree that SEMCO will construct and operate the MCP in a manner that meets or exceeds applicable codes, standards, and construction practices, and the Michigan Gas Safety Standards, MCL 483.151 *et seq.*, and that SEMCO's environmental report satisfies the required agency review and environmental obligations. The signatories are of the opinion that the MCP will serve the public convenience and necessity because it will bring needed redundancy to SEMCO's Upper Peninsula (UP) West service area, and will be used to address SEMCO's supply deliverability, reliability, and diversity concerns, and future demand growth.

The settlement agreement sets forth additional operational and construction conditions, and post-inspection/reporting requirements, all of which SEMCO has agreed to. It is also understood that, should the Commission authorize Upper Michigan Energy Resources Corporation (UMERC)

to build the Negaunee power plant as requested in Case No. U-18224, SEMCO will work cooperatively with UMERL should UMERL determine it has a need for additional pipeline capacity to supply the plant. Further, SEMCO has committed to make efforts to increase the use of the MCP by seeking new load. Also, the signatories agreed that SEMCO will spread the interconnect costs paid to GLGT and NNG over a minimum period of five years, to be collected through the balance and demand charge of the gas cost recovery mechanism. Finally, SEMCO will in its next general rate case: (1) seek to revise its balancing charges to transportation customers to include an applicable portion of the interconnect costs; and (2) request that the rate increase related to the MCP be allocated equitably so that no individual customer or class of customers is disproportionately affected.

The Commission has reviewed the application, testimony, exhibits, and settlement agreement, and finds the settlement agreement is reasonable and in the public interest, and should be approved. The Commission agrees with the parties to this agreement that the MCP will increase the reliability of natural gas service to many of SEMCO's customers in the western UP, provide much-needed redundancy in the event of a pipeline rupture, foster economic growth in the region, and provide for additional capacity to supply natural gas to any power plant that may be built in SEMCO's UP West service area. Therefore, the Commission finds that the MCP, when constructed and in operation, will serve the convenience and necessity of the public. The Commission likewise finds that the map, route, and type of construction are reasonable and should be approved, subject to such changes in location as SEMCO may find necessary upon actual construction.

The Commission has reviewed SEMCO's environmental report as well as its application, exhibits, and testimony filed in this docket. Testimony indicates that approximately 86% of the

36.2-mile segment of the MCP will follow existing power transmission right-of-way or pipeline corridors minimizing any environmental impact arising from its construction. Likewise, there was testimony that 50% of the 6.4-mile segment traverses existing utility corridors and an additional 18% of that segment runs parallel to road right-of-way. The environmental assessment included with the application indicates that construction of the MCP will result in minor short-term impacts on the environment. The assessment indicates that four alternate routes were considered in a feasibility study and that the route proposed is the most practical and impacts the environment the least based on available National Wetland Inventory data. It discusses the construction methods and procedures to be used that will minimize the impact of the project during construction and restoration. For example, to protect the northern long-eared bat, a threatened species, the intent is to complete forest clearing activities during the winter. Wetlands were determined to be present in the project area; therefore, SEMCO will need to obtain the necessary permits from the Michigan Department of Environmental Quality to excavate soil from, place fill in, or otherwise alter regulated wetlands on the site, including directional boring below wetlands. In addition, regarding threatened and endangered species, the assessment indicates that during wetland delineation site visits conducted during October and November 2016, no threatened or endangered species were observed.

The Commission concludes that any environmental impairment caused by the proposed pipeline is “*de minimis*” and is consistent with the promotion of the public health, safety, and welfare in light of the state’s paramount concern for the protection of its natural resources from pollution, impairment, or destruction. The filed application, testimony, and exhibits of the company support and satisfy the required agency review and environmental obligations of the

Commission that arise from the Michigan Environmental Protection Act, Part 17 of the Natural Resources and Environmental Protection Act, MCL 324.101 *et seq.*

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. SEMCO Energy Gas Company is authorized to construct and operate the Marquette Connector Pipeline in Marquette County as proposed in its application and subject to the requirements of 1929 PA 9, MCL 483.101 *et seq.*, and the conditions and requirements set forth in the settlement agreement.

C. The map, route, and type of construction of the Marquette Connector Pipeline as proposed by SEMCO Energy Gas Company are approved; however, the company shall not begin construction until all necessary easements and permits have been acquired.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General – Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of August 23, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
SEMCO ENERGY GAS COMPANY)	Case No. U-18202
for a certificate of public convenience and)	
necessity to construct and operate the)	
<u>Marquette Connector Pipeline.</u>)	

SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended MCL 24.278, and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, R 792.10431, SEMCO Energy Gas Company (“SEMCO Gas” or the “Company”), the Michigan Public Service Commission Staff (“Staff”), Bill Schuette Attorney General (“AG”), Michigan Technological University (“MTU”), and American Transmission Company LLC, by its corporate manager, ATC Management Inc. (collectively, “ATC”) agree as follows:

1. On December 15, 2016, SEMCO Gas, pursuant to 1929 PA 9, MCL 483.101 *et seq.*, (“Act 9”), filed its application for a Certificate of Public Convenience and Necessity (“CPCN”) to construct and operate the proposed natural gas transportation pipeline known as the Marquette Connector Pipeline (“MCP”). SEMCO Gas filed testimony and exhibits in support of its request for a CPCN.

2. On January 13, 2017, the Michigan Public Service Commission (“Commission”) issued its Notice of Hearing scheduling a prehearing conference for February 14, 2017. The Company was directed to mail the Notice to each landowner who may be traversed by the proposed pipeline, and to all cities, incorporated villages, townships and counties which may be traversed by the pipeline. Additionally, SEMCO Gas was directed to publish the Notice in a

daily newspaper of general circulation in Marquette County, Michigan and in the Michigan Oil and Gas News. SEMCO Gas gave notice in accordance with the Commission's directives, and electronically filed the proof of mailing and affidavits of publication with the Commission on January 31, 2017.

3. At the February 14, 2017 prehearing conference, Administrative Law Judge ("ALJ") Mark Cummins presided, and SEMCO Gas and the Michigan Public Service Commission Staff ("Staff") were in attendance. ALJ Cummins granted the petitions to intervene of the AG, MTU, ATC and Northern Natural Gas Company ("NNG").

4. On April 26, 2017, the Staff, AG and MTU filed their direct cases, and on May 24, 2017, SEMCO Gas filed its rebuttal case.

5. On June 27, 2017, a hearing was held before ALJ Cummins, and the prefiled testimony and exhibits were admitted into the record. The parties waived cross-examination.

6. Subsequently, the parties engaged in settlement discussions and for purposes of settlement of all issues in Case No. U-18202, the undersigned parties¹ agree as follows:

A. SEMCO Gas has requested authority to construct and operate MCP which will consist of a section which is a 36.2 mile, 20-inch line extending in a northerly direction from Great Lakes Gas Transmission Company ("GLGT") tap site in Section 1, Wells Township in Marquette County (SE1/4 of SW1/4 of SW1/4 of Section 1, T42N, R26W) to a point of interconnection with a NNG interconnection site in Section 2, Negaunee Township in Marquette County (SE1/4 of SW1/4 of SW1/4, of Section 2, T47N, R26W). The MCP will also consist of a section which is a 6.4 mile, 10-inch line extending in a northeasterly direction from a point of intersection with the 20-inch line in Section 12, Negaunee Township in Marquette County

¹ NNG has elected to file a statement of non-objection to this settlement agreement.

(SE1/4 of NW1/4 of NE1/4 of Section 12, T47N, R26W) to a point of intersection with SEMCO Gas's existing natural gas distribution system in Section 26, City of Marquette (NW1/4 of SW1/4 of Section 26, T48N, R25W).

B. SEMCO Gas will construct and operate the MCP in a manner that meets or exceeds applicable codes, standards, and construction practices, including those contained in the Michigan Gas Safety Standards, MCL 483.152 *et seq.* Additionally, SEMCO Gas agrees to comply with the additional operation/construction conditions listed on Attachment 1 hereto.

C. Subject to the conditions in this agreement it is agreed, that the MCP will serve the public convenience and necessity and provides the most direct, reasonable and economical route for natural gas to be transported. Among other things, the MCP will bring needed redundancy to the Company's U.P. West service area, and will be used to address SEMCO Gas's supply deliverability, reliability, and diversity concerns in its U.P. West service area. It is also agreed that the MCP will position the Company's system for future demand growth.

D. SEMCO Gas has undertaken an environmental assessment for the MCP. It is agreed that specific construction mitigation measures will be employed to minimize adverse impacts of the project. As discussed in the environmental assessment as well as in the direct testimony and exhibit of Katie L. Singer, there will be minor impairment to the environment when the MCP is constructed as proposed, but because SEMCO Gas will employ mitigation steps to minimize adverse environmental impacts, any environmental impairment caused by the MCP is *de minimus* and is consistent with the promotion of the public health, safety, and welfare in light of the State's paramount concern for the protection of its natural resources from pollution, impairment, or destruction. A copy of the Environmental Report is Exhibit A-5. It is

agreed that the Commission should find that the direct testimony of Katie L. Singer and Exhibit A-5 satisfy the required agency review and environmental obligations that inure from the Michigan Environmental Protection Act, Part 17 of the Natural Resources Environmental Protection Act, MCL 314.101 *et seq.*, (“MEPA”) and the Michigan Supreme Court’s application of MEPA in *State Hwy Comm v Vanderkloot*, 392 Mich 159 (1974). This does not bind the findings and determinations of the applicable state and county agencies and authorities referenced in paragraph 6.F of this settlement agreement.

E. The MCP is designed and routed in a reasonable manner. It is understood that rights-of-way will be secured across all privately-owned parcels through which the MCP will be constructed. SEMCO will mitigate each right-of-way situation on a case-by-case basis and work with individual landowners to restore construction surface impact area with the required depth of cover within a reasonable time, but not later than two months from the completion of the pipeline. As SEMCO Gas may need to mitigate right-of-ways on a case-by-case basis, the Commission should allow for minor route deviations, but approve the project as proposed.

F. SEMCO Gas will obtain all environmental and other permits from applicable state and county agencies and authorities prior to construction, identified in Table 1 of Exhibit A-5, if necessary for the construction and operation of the MCP.

G. SEMCO Gas agrees to the following additional conditions:

1) The Company will update the Staff on the personnel who will be responsible for identifying threatened or endangered species during MCP construction and the training they will receive.

2) The Company will restore all land disturbed as a result of the construction activity, even land disturbed beyond the 50-foot wide permanent easement.

3) Where feasible, the Company will utilize a 75-foot wide construction corridor in wetlands and forested areas to limit the environmental impact subject to individual landowner negotiations and construction challenges specific to particular locations.

H. The Commission should approve SEMCO Gas's request for authority to construct and operate the MCP and should determine that such pipeline, when constructed and operated, will serve the convenience and necessities of the public.

I. SEMCO Gas will, within 60 days after completion of the construction of the MCP, submit to the Commission a completion report containing "as built" maps and results of the pipeline pressure test. Additionally, SEMCO Gas agrees to comply with the additional post-inspection/reporting requirements set forth on Attachments 2 and 3 hereto.

J. Upon abandonment or deactivation, the MCP shall be abandoned in accordance with the Michigan Gas Safety Standards, MCL 483.151 *et seq.*

K. Should the Commission authorize Upper Michigan Energy Resources Corporation ("UMERC") to build the Negaunee power plant as requested in Case No. U-18224, SEMCO Gas will work cooperatively with UMERC should UMERC determine it has a need for additional capacity to supply the plant.

L. SEMCO Gas will make efforts to increase the utilization of the MCP by seeking new gas load to be transported through the connector pipeline. Any increase in the utilization of the MCP will be reflected in SEMCO Gas's next general rate case.

M. SEMCO Gas will spread the interconnect costs paid to GLGT and NNG over a minimum period of five (5) years to be collected through the balance and demand charge

of the GCR mechanism. SEMCO Gas will seek to revise its transportation balancing charges in the next general rate case to include an applicable portion of the total interconnect costs which shall be refunded to the balance and demand costs of the GCR mechanism.

N. SEMCO Gas agrees that in its next general rate case it will propose that the rate increase related to the MCP be allocated equitably according to Commission-approved cost of service and rate design principles so that no individual customer or class of customers is disproportionately affected. This settlement agreement does not address or resolve the ratemaking treatment of the costs associated with the construction of the MCP. It is agreed that the reasonable and prudent costs of construction of the MCP should be considered to be recoverable in the Company's rates in a rate case proceeding.

7. This settlement agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are considered privileged under MRE 408. If the Commission approves this settlement agreement without modification, neither the parties to the settlement nor the Commission shall make any reference to, or use this settlement agreement or the order approving it, as authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made in Case No. U-18202 or may be made to enforce or implement the provisions of this settlement and order approving it.

8. This settlement agreement is based on the facts and circumstances of this case and is intended for final disposition of Case No. U-18202. So long as the Commission approves this settlement agreement without modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this settlement agreement.

9. The settlement agreement is not severable. Each provision of this settlement agreement is dependent upon all other provisions of this settlement agreement. If the Commission rejects or modifies this settlement agreement or any provision of this settlement agreement, this settlement agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

10. The parties agree that approval of the settlement agreement by the Commission will aid in the expeditious resolution of this proceeding and would be reasonable, prudent and in the public interest.

11. The parties agree to waive Section 81 of the APA, MCL 24.281, as it applies to the issues resolved by this settlement agreement, if the Commission approves this settlement agreement without modification.

SEMCO ENERGY GAS COMPANY

Sherri A. Wellman

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman C = AD O =
MillerCanfield
Date: 2017.07.12 10:12:24 -05'00'

Dated: July 12, 2017

By: _____

Its Attorney

Sherri A. Wellman (P38989)

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

One Michigan Avenue, Suite 900

Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Meredith Beidler

Dated: July 12, 2017

By: _____

Its Attorney

Meredith R. Beidler (P78256)

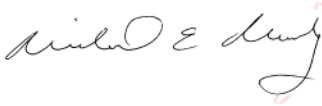
Assistant Attorney General

7109 West Saginaw Hwy, 3rd Floor

Lansing, MI 48917

ATTORNEY GENERAL OF MICHIGAN

Dated: July 12, 2017

 Michael Moody
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By: _____
Its Attorney
Michael Moody (P51985)
Assistant Attorney General
7109 West Saginaw Hwy, 3rd Floor
Lansing, MI 48917

AMERICAN TRANSMISSION COMPANY LLC, by its
corporate manager, ATC MANAGEMENT INC.

Dated: July 12, 2017

 Trevor D. Stiles
Digitally signed by Trevor D. Stiles
DN: cn=Trevor D. Stiles, o=American
Transmission Company, ou,
email=stiles@atcllc.com, c=US
Date: 2017.07.12 09:40:44 -05'00'

By: _____
Its Attorney
Trevor D. Stiles (p81342)
Senior Counsel
P.O. Box 47
Waukesha, WI 53187-0047

MICHIGAN TECHNOLOGICAL UNIVERSITY

Dated: July 12, 2017

 Michael J. Brown
Digitally signed by Michael J. Brown
DN: cn=Michael J. Brown, o=Carlin Edwards Brown
PLLC, ou, email=mbrown@cebhlaw.com, c=US
Date: 2017.07.12 10:50:44 -04'00'

By: _____
Its Attorney
Michael J. Brown (P43015)
Carlin Edwards Brown PLLC
6017 West St. Joseph Hwy #202
Lansing, MI 48917

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Attachment 1

1. The Company will work with NNG to develop plans and procedures specific to an event requiring the NNG Highway 95 valve's operation such that both parties are aware of each other's responsibilities in the event of an emergency.
2. The Company will explore any other activity that could reduce the amount of time required to reverse the flow on NNG's system in the event of an outage and pursue if feasible.
3. The Company will consider funding equipment modifications at NNG's Highway 95 Regulating Station that would accommodate the remote operation of the 16-inch mainline block valve in the event of an emergency.
4. The Company will not utilize polyurethane foam or other non-conductive trench breakers that may cause shielding of the cathodically protected currents.
5. The Company will procure PSL 2 pipe in accordance with API Specification 5L.
6. The Company will obtain the GPS coordinates of all girth weld locations after the MCP has been placed in the trench but before it has been backfilled.

Attachment 2

1. No later than one year after construction, the Company will conduct an in-line inspection on both the 20-inch and 10-inch segments of the MCP. Specifically, this inspection should consist of a geometry tool that is capable of detecting dents or other anomalous conditions that may have arisen during construction. Remediation of dents are to occur in accordance with the 49 CFR Part 192 Subpart O and ASME B31.8S versions adopted as of project completion.
2. No later than three months after construction, the Company should conduct an above-ground electrical survey on both the 20-inch and 10-inch segments of the MCP. Specifically, this inspection is to look for defects in the pipeline coating that could cause future corrosion if not addressed. All detected anomalies that become anodic when the cathodic protection system is off are to be remediated within one year after detection. Additionally, within six months of the electrical survey, the Company will utilize the data gained from this survey to place external corrosion control test stations at identifiable and significant dips in electric potential in accordance with 49 CFR 192.469.

Attachment 3

Marquette Connector Pipeline Report Requirements

These reporting requirements are to be completed as specified below. MPSC Staff will be granted 60 days to review and request clarification.

Post-Construction

Shall be filed in the U-18202 docket within 60 days after completion of construction.

1. As-built alignment maps showing the following information:
 - a. New pipeline
 - b. Locations of bores or directional drills
2. Pressure test reports for the newly constructed pipeline
3. Detailed cost breakdown showing the following detail:
 - a. Survey
 - b. Permitting
 - c. Legal
 - d. Real Estate
 - e. Right-of-way & Easement
 - f. Materials – pipe
 - g. Materials – other
 - h. Engineering and Design
 - i. Construction
 - j. Environmental
 - k. Lab Services
 - l. Miscellaneous Other Services
 - m. Admin & General Overhead
 - n. Total cost
4. Narrative describing any notable circumstances including but not limited to:
 - a. Route deviations
 - b. Significant unexpected costs
 - c. Significant unexpected cost savings
 - d. Ongoing landowner or environmental impacts
 - e. Ongoing legal issues
 - f. Restoration status

Shall be submitted to Staff within 60 days after completion of construction.

1. Provide staff with a .kmz file including the following layers at a minimum:
 - a. Proposed pipeline
 - b. Existing pipelines

Attachment 3

- c. Parcels with landowner information
- d. Bores or directional drills
- e. Permanent right of way owned (if width is defined)
- f. Wetlands